

Message Text

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SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 NEA-10 EA-07

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INFO ALL IEA CAPITALS 0019

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SUBJECT: IEA: SLT MEETING OF MAY 18-19

1. SUMMARY. ITEMS CONSIDERED DURING MAY 18-19 SLT MEETING INCLUDED A) ELABORATION OF THE MINIMUM SAFEGUARD PRICE (MSP) MECHANISM, B) PROCESS FOR ESTABLISHING OVERALL IEA OBJECTIVES FOR REDUCED DEPENDENCY ON IMPORTED OIL; C) FRAMEWORK FOR COOPERATION IN SPECIFIC ENERGY SECTORS; D) PROGRESS REPORTS ON THE COAL STUDY AND PREPARATION FOR ACCELERATED DEVELOPMENT COUNTRY REVIEWS; AND (E) SWISS PROPOSAL FOR STUDY ON ENERGY RISK ANALYSIS. SLT POSTPONED DISCUSSION OF REVISED NUCLEAR FUEL CYCLE MANDATE UNTIL NEXT MEETING. END SUMMARY

2. ELABORATION OF THE MINIMUM SAFEGUARD MECHANISM
SLT WAS ABLE TO RESOLVE FOLLOWING TECHNICAL ISSUES RELATING TO MSP: 1) MODALITIES OF ACTIVATION AND DEACTIVATION: COMMITMENT OF EACH PARTICIPATING COUNTRY
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WILL BE ACTIVATED WHEN AVERAGE FOB PRICE FOR IMPORTED

CRUDE REMAINS BELOW MSP FOR A PERIOD OF THREE MONTHS BY MORE THAN TWO AND ONE HALF PERCENT. THE COMMITMENT WILL BE DEACTIVATED WHEN PRICE OF IMPORTED OIL REMAINS AT OR ABOVE MSP LEVEL FOR TWO CONSECUTIVE MONTHS.

2) DEFINITION OF PRODUCTS. THE PRODUCTS INCLUDED IN THE LONG-TERM PROGRAM ARE SPECIFIC ENOUGH TO ENABLE IEA MEMBERS TO CONVERT PRODUCT LISTINGS INTO THEIR OWN TARIFF NOMENCLATURE. 3) ORIGIN AND DESTINATION - IEA COUNTRIES WOULD COLLECT AN MSP BURDEN ON IMPORTED CRUDES AND PRODUCTS FROM OUTSIDE THE EXEMPTED AREA AT THE POINT OF FIRST ENTRY. PRODUCTS SUBSEQUENTLY RE-EXPORTED WOULD HAVE A "CERTIFICATE OF FREE CIRCULATION" TO ENSURE FREE MOVEMENT WITHIN CUSTOMS UNIONS OR FREE TRADE AREAS. IN THE CASE OF EXPORTS OF OIL PRODUCTS FROM AN IEA COUNTRY TO A COUNTRY OUTSIDE THE CUSTOMS UNION, THE EXPORTING REFINERY WOULD BE GRANTED RELIEF FROM THE MSP BURDEN TO MAINTAIN THE COMPETITIVENESS OF THE REFINERIES.

3. THE FOLLOWING MSP ISSUES REMAINED UNRESOLVED:

4) INCLUSION OR EXCLUSION OF PETROCHEMICAL PRODUCTS - THERE WAS A BROAD CONSENSUS THAT MOTOR GASOLINE, AVIATION GASOLINE, AND GASOLINE-TYPE JET FUELS, IN ADDITION TO THE PRODUCTS AGREED IN THE L-T PROGRAM SHOULD BE INCLUDED UNDER THE MSP. FIVE COUNTRIES, LED BY GERMANY, INSISTED ON EXCLUSION OF PETROCHEMICAL FEEDSTOCKS FROM MSP SCHEME AND REIMBURSEMENTS FOR PETROCHEMICAL FEEDSTOCKS REFINED DOMESTICALLY FROM IMPORTED CRUDE SUBJECT TO THE MSP TO ENSURE COMPETITIVENESS OF PETROCHEMICAL INDUSTRIES. THE OTHER COUNTRIES FAVOR INCLUSION OF ALL PETROCHEMICAL FEEDSTOCKS IN MSP SCHEME. 5) INTERPRETATION AND TRIGGERING OF MSP - COUNTRIES WERE EVENLY DIVIDED BETWEEN ALTERNATIVE A (MSP BASED ON ARABIAN LIGHT) AND ALTERNATIVE D (MSP BASED ON THE AVERAGE PRICE OF 16 CRUDES IMPORTED BY A COUNTRY AND WEIGHTED BY THE VOLUME PERTINENT TO THE COUNTRY CONCERNED.)

4. MSP EXPERTS GROUP WILL RECONVENE ON JUNE 16 TO ELABORATE A VARIATION OF ALTERNATIVE A BASED ON TRANSLATING 16 SOM CRUDES INTO ARABIAN LIGHT EQUIVALENTS LIMITED OFFICIAL USE

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AND TO ATTEMPT TO REACH A COMPROMISE BETWEEN ALTERNATIVE A AND D. THIS GROUP WILL ALSO FURTHER EXPLORE THE PETROCHEMICAL PROBLEM AND EXAMINE A GERMAN PAPER EXPLAINING THE BASIS FOR THE FRG POSITION. THE SLT WILL REVIEW THESE TWO ISSUES AT ITS NEXT MEETING BEFORE MAKING REPORT TO THE GOVERNING BOARD.

5. REDUCED DEPENDENCY OBJECTIVES

THE SLT AGREED ON A TIMETABLE WHICH WOULD LEAD TO GOVERNING BOARD ADOPTION OF REDUCED DEPENDENCY OBJECTIVES BY THE END OF THE YEAR. GENERAL CONSENSUS WAS THAT OIL IMPORT DEPENDENCY OBJECTIVES SHOULD BE 1) IEA RATHER THAN NATIONAL GOALS; 2) REALISTIC, ATTAINABLE, AND SUBJECT TO CRITICAL REVIEW; 3) POLITICAL COMMITMENTS RATHER THAN CONCRETE OBLIGATIONS; AND 4) LINKED WITH ACCELERATED DEVELOPMENT AND CONSERVATION FORECASTS AND RESULTS OF THE LONG-TERM ENERGY ASSESS-

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MENT. CHAIRMAN REMINDED DELEGATES OF AGREEMENT FOR SUBMISSION OF BAU AND VIGOROUS POLICY CASES BY THE END OF MAY.

6. FRAMEWORK FOR COOPERATION IN SPECIFIC ENERGY SECTORS
DELEGATIONS GAVE PROGRESS REPORTS ON ADOPTION OF
FRAMEWORK FOR COOPERATION ON JOINT ENERGY PROJECTS

INCLUDING 1) ELABORATION OF NATIONAL GUIDELINES,
2) UNDERSTANDING OF LEGAL FRAMEWORK, AND 3) IDENTIFICATION OF CENTRAL FOCUS WITHIN NATIONAL ADMINISTRATIONS. CANADA IS DEVELOPING LISTS OF ENERGY PROJECTS AND FRAMEWORK FOR HOW PROCESS WOULD WORK. U.S. REPORTED PROGRESS IN DEVELOPING FRAMEWORK WHILE UK DIDN'T SEE NEED FOR GUIDELINES OR LEGAL FRAMEWORK FOR HANDLING PROJECTS. JAPAN SUGGESTED ENERGY-RICH COUNTRIES SUGGEST PROJECTS FOR GENERAL REVIEW BY SLT. CHAIRMAN CHIDED DELEGATIONS FOR LACK OF PROGRESS IN THIS AREA.

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7. COAL STUDY AND ACCELERATED DEVELOPMENT REVIEW PREPARATION. KELLY (SECRETARIAT) REPORTED THAT THE COAL STUDY WILL BE READY BY THE FIRST WEEK IN JUNE. A MEETING OF NATIONAL COAL EXPERTS TO DISCUSS PAPER IS SCHEDULED FOR JUNE 28-29. THE RESULTS OF THE STUDY AND MEETING WILL BE SUBMITTED TO THE SLT IN JULY.

THE ACCELERATED DEVELOPMENT REVIEW WILL BE HANDLED IN TWO SEPARATE TRANCHES, I.E., JULY 19-20-21 AND SEPTEMBER 29-30-OCTOBER 1. CRITERIA HAVE BEEN TRANSMITTED TO PARTICIPATING COUNTRIES, AND ARRANGEMENTS ARE PROCEEDING REGARDING VISITS TO CAPITALS FOR PREPARATION OF BASE DOCUMENT.

8. ENERGY RISK ANALYSIS

DELEGATIONS REPORTED FAVORABLY ON A SWISS PROPOSAL FOR STUDY ON ENERGY RISK ANALYSIS TO ASSESS THE COSTS AND BENEFITS OF A VIGOROUS ENERGY POLICY BY IEA COUNTRIES, ESPECIALLY IN THE CASE OF A POTENTIAL SHORTAGE OF OIL SUPPLY. THE PROPOSAL WILL BE FURTHER CONSIDERED AT NEXT SLT MEETING AND REFERRED TO ACCELERATED DEVELOPMENT SUBGROUP FOR STUDY.
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